PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC
ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7
Tel: (613) 562-4002. Fax: (613) 562-0007. e-mail: piac@piac.ca. http://www.piac.ca

Michael Janigan
Counsel for VECC
(613) 562-4002 (x 26)

May 30, 2013

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
PowerStream Inc. EB-2013-0070
Final Submissions of VECC

Please find enclosed the submissions of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Thank you.

Yours truly,

Michael Janigan
Counsel for VECC
Encl.

cc: PowerStream Inc.
Mr. Colin Macdonald

EB-2013-0070

ONTARIO ENERGY BOARD

IN THE MATTER OF
the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Schedule B), as amended;

AND IN THE MATTER OF an Application by PowerStream Inc. (PowerStream) dated March 13, 2013 for approval of a conservation and demand management (CDM) program – Direct Install Refrigeration Program.

Submissions of Vulnerable Energy Consumers Coalition (VECC)

PowerStream seeks Board approval of a Direct Install Refrigeration (DIR) program to partially address its projected shortfall against its 2011-2014 CDM targets.

PowerStream's DIR program is projected to cost $4.1Million and generate 3.3MW and 19.6 GWh of net savings, representing an additional 3.5% and 4.8% towards PowerStream's 2011-2014 demand and energy targets, respectively. The DIR program addresses market-specific needs of small commercial customers, a market segment that PowerStream claims is underserved by the Electricity Retrofit Incentive Initiative within the Provincial Commercial & Industrial Program. PowerStream estimates the market potential for these refrigeration measures in its service territory is approximately 18MW and 666 GWh of lifetime energy savings.

PowerStream has an assigned CDM target of 95.57 MW of demand reduction and 407.3 GWh of energy savings over the 2011-2014 period. As shown in the table below[1], PowerStream is projecting to achieve 89% of its energy savings target and 56% of its demand target through the delivery of Provincial Programs. PowerStream indicates it updates demand and energy savings forecasts twice a year (September – when final results from the OPA are received, and December – when an internal year-end estimate is conducted), and forecasts are developed using the best available information at the time, including consideration of changes to the programs which have been made or are pending.

Table VECC-1: Comparison of original forecast and December 2012 forecast, by Program

	2014 Net demand savings, MW					
	Consumer	C&I	Industrial	Low Income	Total	% of OEB Target
Strategy Document (Nov 2010)	31.6	47.0	17.2	-	95.8	100.2%
December 2012 Forecast	21.2	21.6	9.1	1.8	53.7	56%
	2011-2014 Net energy savings, GWh					
Strategy Document (Nov 2010)	110.0	242.0	57.0	-	409.0	101.8%
December 2012 Forecast	77.3	228.7	51.9	4.0	361.9	89%

[1] VECC IR#1(a)

Through the delivery of Provincial Programs only, PowerStream's current projected shortfall against its mandated demand and energy savings is approximately 42 MW and 45 GWh. When the projected 21 MW of savings from Time of Use (TOU) pricing is included, PowerStream forecasts it will achieve 79% of its demand target, thus leaving a shortfall of 21MW.

To address the projected shortfall, PowerStream's strategy is two-fold: improve the design and delivery of the Provincial Programs and seek approval for a Board-Approved Program.[2]

PowerStream's evidence documents several issues with the current Provincial Programs primarily related to program delivery and design concerns which are impeding performance and presenting risks to PowerStream to achieve its CDM targets. To date, three rounds of changes to the Master Agreement and Schedules have been issued through the EDA and OPA collaborative change management process. PowerStream indicates the overall change management process has been extremely slow and PowerStream believes this has resulted in lost opportunities and lower than forecasted results.[3] In response to interrogatories, PowerStream provided information on the specific improvements needed to improve the design and delivery of Provincial Programs as reflected in its 2011 CDM Annual Report to the OEB (Page 16).

PowerStream confirms the status of its CDM programs reflects the issues related to current Provincial Programs and the overall change management process. PowerStream indicates it is not in a position to provide the status of the changes needed or the impact of implementation of the changes in terms of a reduction in the shortfall after the combined changes are included.[4] PowerStream confirms that implementation of these modifications would likely increase program forecasts for 2013 and 2014, however PowerStream is not in a position to quantify the impact at this time.[5]

The Board views the OPA-Contracted Province-Wide CDM programs as being the lead programs and initiatives for distributors to rely on in achieving their CDM targets[6], noting distributors have the ability to develop additional CDM programs to supplement Provincial Programs, in consultation with the OPA to avoid duplication. VECC has concerns regarding the issues identified in this application related to the delivery of the Provincial Programs and the change management process and its potential negative impact on forecasted results for PowerStream and other electricity distributors, resulting in the need to develop additional CDM programs for Board approval which may increase the overall cost of meeting CDM targets.

PowerStream indicates at this time it is not planning to submit additional programs for OEB

[2] Application, Executive Summary, Page I
[3] Application, Page 2
[4] BOMA IR#2, VECC IR#4
[5] VECC IR#4(f)
[6] Guidelines for Electricity Distributor Conservation and Demand Management, EB-2012-0003, April 26, 2012, Page 3

approval.[7] However, VECC notes the proposed DIR program addresses approximately 43% of PowerStream's current projected shortfall against its energy target and 16% of its current projected shortfall against its demand target, which suggests that if the issues related to the Provincial Programs are not addressed in the short-term, additional strategies will be needed to meet CDM targets.

VECC submits that the Board, in consultation with the OPA, may wish to assess whether this issue exists for other distributors resulting in projected shortfalls against energy and demand targets using Provincial Programs and if so, it may be appropriate for the Board to examine the issue on a generic basis and provide further guidance on this issue.

Proposed DIR Program

PowerStream observed that its small commercial customers are a market segment that is underserved by the Electricity Retrofit Initiative (ERII) within the Provincial & Industrial (C&I) program. In response to VECC IR#3, PowerStream provided information on the three primary strategies used to deliver the C&I Program which includes the ERII initiative. PowerStream also provided its original and updated ERII forecasts as shown in the Table below.

Table VECC-3.2: Original and Updated ERII Forecasts

	2014 Net Demand Savings, MW	2011-2014 Net Energy Savings, GWh
CDM Strategy Document filed with OEB (Nov 2010)	31.6	203.9
Updated forecast (December 2012)	14.5	219.6

PowerStream indicates that less than 1% of its GS<50 kW customers have participated in ERII and of all of the participants, only 2% have included refrigeration measures. PowerStream identifies typical barriers to uptake including lack of knowledge, time and capital resources. In response to VECC IR#7, PowerStream states that while modifications such as simplifying the application process or increasing incentive levels could potentially address these barriers, it is PowerStream's view that the best way to address these barriers and reach the small commercial market is through a direct install approach.

PowerStream identified approximately ten program concepts for possible development. In its application and interrogatory responses, PowerStream provided documentation on the ten program concepts that were identified for possible development and the qualitative analysis undertaken that resulted in selection of the proposed DIR program as the preferred candidate.[8] The DIR program targets opportunities in commercial facilities with product refrigeration such as grocers, convenience stores and restaurants. Refrigeration typically accounts for two-thirds of their total kWh consumption.

PowerStream's DIR program will be providing participating customers with an annual demand of less than 250 kW a free electricity audit and assessment, a customized report and Energy

[7] BOMA IR#4
[8] BOMA IR#4 , VECC IR#5

Action Plan and up to $2,500 of eligible refrigeration measures and services installed at no charge. PowerStream determined the 250 kW threshold based on its experience delivering CDM programs which shows that customers under this threshold face the biggest barriers (in terms of time, expertise and capital). PowerStream projects a participation rate in its DIR program of 1,200 (grocers & restaurants) based on an estimated 18-month participation uptake of 30% (of a total of 4,000 eligible facilities) by the end of 2014 based on its experience delivering the OPA-funded small commercial direct installation lighting program.[9] PowerStream indicates it did not consider other design options for the DIR program that covered less than 100% of the refrigeration measure and installation cost.[10] PowerStream thinks that the amount is appropriate as it will provide sufficient incentive to stimulate program participation based on feedback from customer focus groups and based on the fact that the program design passes both the Total Resource Cost Test and the Program Administrator Cost Test.[11]

Duplication with OPA Programs

The Board's Guideline[12] notes that duplication of OPA-Contracted Province-Wide CDM programs by Board-Approved CDM programs is strictly prohibited. The Board expects distributors to engage in a detailed and thorough discussion with the OPA prior to filing a Board-Approved CDM program application. The Board is of the view that inclusion of the OPA's assessment should result in a more efficient regulatory process.

Based on the CDM Code and CDM Guidelines, programs that will be considered duplicative of OPA-Contracted Province-Wide CDM Programs include, but are not limited to, CDM Programs that have:

> CDM Code, Co-ordination with the OPA, Section 2.3.3
>
> (a) different customer incentive levels on products or services already offered through the OPA-Contracted Province-Wide CDM Programs;
>
> (b) different qualification requirements to receive customer incentives or services already offered through the OPA-Contracted Province-Wide CDM Programs;
>
> (c) different technology specifications for technologies already incentivized or utilized through the OPA-Contracted Province-Wide CDM Programs;
>
> (d) different marketing approaches for promoting customer incentives or services already offered through the OPA-Contracted Province-Wide CDM Programs;
>
> (e) different budgets for delivering customer incentives or services already offered through the OPA-Contracted Province-Wide CDM Programs;[13]

[9] Board Staff IR#1
[10] VECC IR#9(b)
[11] Board Staff IR#3
[12] Guidelines for Electricity Distributor Conservation and Demand Management, EB-2012-0003, April 26, 2012, Pages 3-4
[13] Conservation and Demand Management Code for Electricity Distributors, September 16, 2010, Page 8, Section 2.3.3

CDM Guideline, Section 4 Duplication with OPA Programs

(f) CDM programs that combine conventional elements of two or more existing OPA Programs; and

(g) CDM programs that extend an OPA program to a different market segment or segments (e.g. extending a residential program to the commercial sector).

Non-duplicative programs may include region-specific or market-specific considerations which would require novel approaches.[14]

PowerStream claims the DIR Program does not duplicate an existing OPA-Contracted Province Wide Program or initiative. PowerStream states it has reviewed the CDM Code and CDM Guidelines carefully and has worked closely with OPA staff since early December 2012 to ensure that it is bringing forward a program that is non-duplicative.[15]

In this application, PowerStream provided the OPA's duplication assessment; a detailed comparison of the DIR program with the two closest comparable provincial initiatives (Small Business Lighting initiative & ERII; and a review and discussion of the seven specific examples of duplication provided in the CDM Code and CDM Guidelines (listed above).

The OPA provided its duplication assessment in a letter to PowerStream dated March 4, 2013. The OPA states in its letter that it is "of the opinion that the question of duplication with respect to the proposed program does not have a clear answer."[16] Specifically, the OPA makes the following statement in its letter: "Incentives for the products and services offered in the proposed PowerStream program could be accessed through the ERII initiative, mainly as custom measures. PowerStream's program provides a different incentive level and marketing approach compared to ERII for the same products. Based on section 2.3.3 (a) and (d) of the CDM Code, this could be considered a duplication."

VECC notes that the OPA's duplication assessment is based on an analysis of the Province-Wide C&I program which includes nine initiatives, four of which are relevant to the customers targeted by PowerStream. VECC submits the OPA participated in adequate consultation with PowerStream and undertook sufficient analysis of the Province-Wide programs to support the above statement regarding duplication.

The OPA letter also refers to section 4 of the CDM Guideline which states that non-duplicative programs may include market-specific considerations which would require novel approaches. The OPA letter suggests the DIR program is an example of this type of non-duplicative program. VECC's interpretation of the CDM Guideline is that proposed programs eligible as non-duplicative under section 4 of the CDM Guideline must also avoid the examples of duplication specified in the CDM Code under section 2.3.3. As a result, VECC submits that the OPA is not definitive on the issue of non-duplication and, in fact, could be interpreted as suggesting there is duplication (as defined by the CDM code) with existing OPA programs.

[14] Guidelines for Electricity Distributor Conservation and Demand Management, EB-2012-0003, April 26, 2012, Section 4. Duplication with OPA Programs, Page 4
[15] Application, Page 12
[16] Appendix B, OPA Assessment and Support Letter, March 4, 2013

VECC submits that based on the OPA's assessment, uncertainty exists as to whether or not PowerStream's proposed DIR program duplicates Provincial CDM Programs. In VECC's view, the OPA's letter appears to suggest that there is duplication. On this basis, VECC submits that until such time as the OPA confirms the DIR program is non-duplicative of Provincial Programs, the Board should not approve PowerStream's DIR program.

Recovery of Reasonably Incurred Costs

VECC submits that its participation in this proceeding has been focused and responsible.

Accordingly, VECC requests an order of costs in the amount of 100% of its reasonably-incurred fees and disbursements.

All of which is respectfully submitted this 29th day of May 2013.